

# MONTANA

*Department of Commerce*

## **MONTANA BOARD OF HOUSING**

P.O. Box 200528 \* Helena, Montana 59620-0528 \* [www.housing.mt.gov](http://www.housing.mt.gov)  
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## **MONTANA BOARD OF HOUSING**

Montana Association of Counties Conference Room  
2715 Skyway Drive, Helena, MT 59601  
April 6 & 7, 2008

### **ROLL CALL OF BOARD**

#### **MEMBERS:**

J.P. Crowley, Chairman (Present)  
Betsy Scanlin, Vice Chairman (Present)  
Susan Moyer, Secretary (Present)  
Audrey Black Eagle (Present)  
Bob Gauthier (Present)  
Jeanette McKee (Present)  
Jeff Rupp (Present)

#### **STAFF:**

Bruce Brensdal, Executive Director  
Mat Rude, Multifamily Program Manager  
Nancy Leifer, Homeownership Program Manager  
Chuck Nemec, Accounting & Finance Manager  
Penny Cope, Marketing & Web Specialist  
Justin Schedel, Operations Specialist  
Gerald Watne, Multifamily Program Officer  
Mary Bair, Multifamily Compliance Specialist  
Kellie Lynch, Multifamily Compliance Specialist  
Vicki Bauer, Assistant Accounting & Finance Manager  
Charles Brown, Homeownership Program Supervisor  
Diana Hall, Administrative Assistant

#### **COUNSEL:**

Pat Melby, Luxan and Murfitt

#### **UNDERWRITERS:**

Gordon Hoven, Piper Jaffray

#### **OTHERS:**

Maureen Rude, Montana Homeownership Network  
Colleen Owens, White Sulphur Springs Low Income Housing  
John Engan, Mayor - City of Missoula  
Andrea Davis, Missoula Housing Authority  
Jamie Hoffman, Missoula Housing Authority Board  
Gene Richeson, Meagher Co. Apts. (Castle Mtn. Apt)  
Edwin Celander, Meagher Co. Apts.  
Dewar Dunn, Meagher Co. Apts.  
Nathan Richmond, Summit Housing Group  
Kathie Southworth, Lewistown Community Dev. Corp.  
Duane Ferdinand, Lewistown Community Dev. Corp.  
Sarah Hamlen, Castle Mtn. Apt.

Jamie Doggett, Meagher Co. Commissionser/Castle Mtn. Apt.  
Beth Hunt, Castle Mtn. Apt.  
Greg Dunfield, Pacific Housing Advisors  
David Bland, Travois  
Marianne Roos, Travois  
Caren Roberty, Castle Mtn. Apts.  
Claude Leidon, Northern Cheyenne Housing  
Lafe Haugen, Northern Cheyenne Housing  
Mike Speelman, Northern Cheyenne Housing  
Donals Rapos, Northern Cheyenne Housing  
Dave Lewis, Senate District 42  
Don Sterhan, Mountain Plains Equity Group  
Geordan Trayer, Advanced Resource Recovery C  
Tim German, Sparrow Group  
Alex Burkhalter, Sparrow Group  
Troy Wilson, Real Indian Consulting  
Jerilee Wilerson, Real Indian Consulting  
Cindy Donnell, USDA Rural Development  
Gene Leuwer, Meagher County Senior Citizens/Castle Mtn. Apt.  
Amber and Jett Brensdal

### **CALL MEETING TO ORDER**

Chairman, J. P. Crowley, called the meeting to order at 8:30 a.m. He explained the process for the Tax Credits, which would be a presentation from staff followed by the projects telling about the good things about the project and community needs. He said the scoring was only to determine if the threshold was met, so that didn't need to be discussed. J. P. asked the Board, staff, and guests to introduce themselves.

### **APPROVAL OF MINUTES**

Betsy Scanlin moved to approve the March 10 Board meeting minutes as corrected. Jeanette McKee seconded the motion. The Chairman asked for comments. The motion passed unanimously.

### **MULTIFAMILY PROGRAM**

Mat Rude showed slides of the site visit and gave a summary of each of the following projects for the Low Income Housing Tax Credits.

The Fort Belknap project in Harlem is single-family homes on a scattered site and they requested an allocation of \$523,490 in Tax Credits. The Fort Peck project in Poplar has single-family rehab homes on scattered sites and they requested an allocation of \$290,012 in Tax Credits. The Mountain View project is a family complex in Hamilton and is the 3<sup>rd</sup> phase and has 2 and 3 bedroom units and they requested an allocation of \$581,250 in Tax Credits. The Spring Creek Apartments is family units with 2-3 bedrooms in Kalispell and they requested an allocation of \$580,000 in Tax Credits. The Shoulder Blade Complex in Lame Deer is an acquisition rehab senior complex and they requested an allocation of \$394,812 in Tax Credits.. Oullette Place is an acquisition rehab project with family units in Lewistown, which needs a pile foundation and is applying for additional credits

for the construction costs and they requested an allocation of \$41,000 in Tax Credits. The Garden District is a new construction family project in Missoula and they requested an allocation of \$474,071 in Tax Credits. The Pointe at Somers is a new construction project for families and they requested an allocation of \$581,250 in Tax Credits. The Castle Mountain Apartments in White Sulphur Springs is a new construction project for the elderly and they requested an allocation of \$237,317 in Tax Credits.

Mat explained the staff recommendation. There is a 10% non-profit setaside per IRS regulations and there is also an acquisition rehab setaside. All other projects fall in the general category. Staff recommended allocations for the Shoulder Blade project in the acquisition rehab setaside; Ouellette Place and Castle Mountain Apartments in the non-profit setaside; and Spring Creek Apartments, Mountain View III Apartments, and Garden District I in the general setaside. This is a change from the original recommendation due to some compliance audit discrepancies in the Fort Belknap project and they will be issued some 8823's. Staff does not feel they are ready for another project at this time. Mat said the project is needed, but housekeeping with the existing project needs to be completed before funding a new project. Mat explained that the 8823 form is a document submitted to the IRS when discrepancies are found during audits. Gerald Watne said Tax Credits can be withdrawn and penalties can be issued for 8823's, so staff does not like to issue them, but the law requires it. They can be corrected and then corrected 8823's are issued. The project has some great energy designs in the houses being proposed.

Chairman Crowley asked representatives from each project to give a short summary of the strengths of their project and gave the Board opportunity to ask them questions. Jeff Rupp said he sought counsel opinion on this process because his office, the HRDC in Bozeman, is involved with one of the projects. However, even though there is no conflict of interest, there is an appearance of a conflict of interest so he is recusing himself from the conversation and vote. Jeanette McKee moved to approve the staff recommendation for tax credit allocations. Susan Moyer seconded the motion. The Chairman asked for comments. Betsy said the applications were well reviewed and all in all the projects were well supported. The staff has done a good job on their work and their recommendations are well supported, however, there is lots of competition for the allocations. Susan was pleased with the way staff pulled information together for the analysis and should be commended. Jeanette said the staff summary sheets were extremely helpful and would like to have them every year. She also said the attitude of the audience is awesome and she is glad the ones who care are present and it is essential to the process. J. P. also thanked the audience for showing up and their availability for comments and questions was helpful. He also thanked Mat and Gerry and staff for putting it all together. The motion was approved with Jeff Rupp abstaining from voting.

Bruce Brensdaal announced that the break would be used to celebrate Diana's retirement and also Bruce and Amber's new baby, Jett.

## **FINANCE PROGRAM**

Chuck Nemec said Wall Street continues to price Montana Board of Housing (MBOH) out of the mortgage market. The risk of falling home prices makes borrowing money from the bond market expensive. Recent issues have gone out from 6¾% to 7%. Staff continues to work with UBS Financials on different funding strategies. MBOH is using pre-pays to recycle and purchase loans. This is a good strategy because it is economically sound, it is a good strategy to call bonds from series

where the mortgage rate of loans purchased will match or exceed our interest cost, and bonds are called with interest rates that are higher than any mortgage that might be purchased. Another reason to use this strategy is because the cost of funds is more important than preserving bond cap, so recycling funds is a better strategy. There will be approximately \$15 million available to recycle into mortgage loans in the coming months.

### **HOMEOWNERSHIP PROGRAM**

Nancy Leifer reiterated that the recycled funds being used to make loans at the current time make good economic sense. MBOH has received some cancellations and payoffs so loans are being funded from a waiting list. The in-state rates are around 5½%, while MBOH rates are 6%.

One of MBOH originators (GMAC) is having difficulty with regulations on who is going to service their loans. This has created confusion for borrowers. The Administrative Rules for Servicer and also for Lenders will come before the Board next meeting and will include a modification to help staff with situations like this.

Nancy updated the Board on Real Estate Owned (REO) properties. There is only a net loss of \$22,580 for the past 30 years.

The final terms of the Fannie Mae Mortgage Backed Security (MBS) Program have not been released officially. It appears to be a program that would be beneficial to MBOH and borrowers for conventional loans. Nancy does not have an analysis on RD loans. Staff will continue to work out the details. This program provides parity for bond issues.

Nancy introduced Maureen Rude in her new position as Operations Director for the Montana Homeownership Program (MHN). Betsy praised MHN and MBOH for their efforts with mobile homes and encouraged timely implementation of the Decommissioning Program.

The Mortgage Credit Certificate (MCC) Program expires at the end of the year. Staff requested \$4 million dollars of bonding authority to continue the program which needs at least 3 months lead time. Bob Gauthier moved to approve the \$4 million dollars of bonding authority for the MCC Program through 2010. Susan Moyer seconded the motion. The Chairman asked for comments. Jeff appreciated the letter from Mann Mortgage and questioned whether the Program is in keeping with MBOH's mission. Nancy said the average purchase price in the program is \$156,000 and the average purchase price of homes otherwise is \$131,000. The program is designed to work with individual with a higher income range. The motion passed with Jeff not voting.

Staff recommended adopting a policy on repurchase of loans that go delinquent with the first few months of the loan. Originating lenders would be required to purchase the loan at MBOH's request if the loan becomes over 30 days delinquent within the first 90 days of the loan or if the loan became over 60 day delinquent within the first 180 days of the loan. Jeff Rupp moved to approve the recommendation. Jeanette McKee seconded the motion. The Chairman asked for comments. The motion passed unanimously.

The Legislative Auditor's office will be conducting Servicer audits this summer. The Servicing institutions are divided into 3 groups of large, medium, and small servicers with a rotating cycle for large servicers of every 3 years. The small group will be working with technical assistance staff in

the office all year round. Staff recommended to audit Streeter Brothers and Stockman Bank as larger servicers and Community First Bank in Glendive and 1<sup>st</sup> Community Bank in Glasgow as the medium servicers. Jeff Rupp moved to accept staff recommendation. Bob Gauthier seconded the motion. The Chairman asked for comments. The motion passed unanimously.

Nancy present a draft of a policy of minimum standards for Private Mortgage Insurance coverage for whole loans and MBS programs that would give requirements and also give MBOH the right to restrict providers to those that offer the best reduced rates or types of coverage particular to the state housing finance agency. Jeanette McKee moved to approve the policy. Betsy Scanlin seconded the motion. The Chairman asked for comments. The motion passed unanimously.

Manhattan State Bank requested an extension of the setaside for the Essential Employees Mortgage Program through December 31, 2009. Bob Gauthier moved to approve the extension. Jeff Rupp seconded the motion. The Chairman asked for comments. The motion passed unanimously.

#### EXECUTIVE DIRECTOR

Bruce said the Montana Job Corps has closed down so they can't build the Montana House. MBOH is still working with Miles City technical college and the Blackfoot Tribe at the Community College.

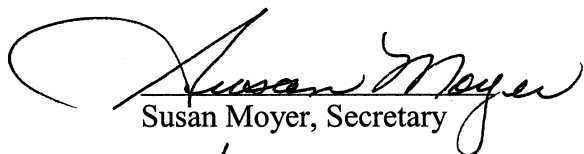
Board and staff members will be attending the Mountain Plains Regional Summit in South Dakota on May 6-7, 2008. Jeff and Susan will attend the 2008 Housing Conference in Great Falls on June 10-12, 2008. Jeff suggested starting preparations for legislative activity. Julie will give the Board an update on decommissioning.

Penny, Nancy, Gus, and Susan have been working diligently on a white paper on the challenges and housing issues in Montana and data for the Housing Coordinating Team.

Jeff would like discussions on the loan to value of housing if the market goes down 3-5% and how that affects MBOH economically in this changing environment. Bob said he is comfortable with staff keeping the Board apprised of needs. Maureen Rude pointed out that Housing Finance Agencies loans perform better than other portfolios. Chuck says performance is evaluated every month to determine the risk. Bruce encouraged discussing the issue with peers at the South Dakota conference.

The next meeting is scheduled for May 5<sup>th</sup> in Crow Agency. Future meetings are tentatively scheduled for June 2 in Pablo, July 7<sup>th</sup> in Missoula, August 11<sup>th</sup> in Sidney, September 8<sup>th</sup> in Dillon, October 6<sup>th</sup> in White Sulphur Springs, and November 10<sup>th</sup> in Helena.

The meeting adjourned at 11:55 a.m.

  
Susan Moyer, Secretary

6/2/08  
Date